

EXHIBIT NO. 3
DATE 2-17-09
BILL NO. SB 375



East News

Pennsylvania Bans Lenders from Requiring Excess Home Insurance

July 8, 2008

Pennsylvania homeowners may be entitled to a reduction in their homeowners' insurance premiums, thanks to The Mortgage Property Insurance Coverage Act that Gov. Rendell signed into law on July 4.

The law, which was spurred by the trade association Insurance Agents & Brokers, prohibits mortgage lenders from requiring borrowers to insure their property in excess of the value of structures on the land. Previously in Pennsylvania, lenders often required insurance on the full loan value. However, in the event of a loss, a homeowners' insurance policy would only restore the value of the structures.

For example, a homeowner with a \$150,000 home on a \$50,000 piece of land was often required to obtain a \$200,000 homeowners' insurance policy. Yet, if the home burned to the ground, the homeowner would be paid for his loss -- \$150,000.

"This is a huge victory for consumers," said Tom McElhaney, chairman of IA&B. "Homeowners are no longer forced to pay premiums on unnecessary coverage for which they will never be compensated."

The agents' group has been urging Pennsylvania homeowners to check their homeowners' insurance policies and determine if they are paying for coverage on the full property value or on the value of structure(s) on the land. If they have questions or need to adjust their policy, they should contact their insurance agent.

"Prior to passage of this law, agents have been in a frustrating position, stuck between a mortgage company's demands and an insured's actual needs," said Rob Walbeck, vice chairman of IA&B. "Attempts at convincing the lender otherwise often fell on deaf ears, so the borrower felt compelled to comply with the lender's demands."

Several legislators spearheaded the legislation: Reps. Dan Frankel (D-Allegheny) and Mark Mustio (R-Allegheny) and Sen. Pat Browne (R-Lehigh), who sponsored corresponding bills in the House and Senate, and Senate Banking and Insurance Committee Chairman Don White (R-Indiana). It received unanimous support in the House and Senate.

Source: Insurance Agents & Brokers
www.iabgroup.com

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